UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
GENERAL

TD/B/1265
30 July 1990

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Item 6 of the provisional agenda

UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990: INITIATION OF PREPARATIONS FOR UNCTAD'S INTERGOVERNMENTAL INPUT INTO THE FINAL ASSESSMENT BY THE GENERAL ASSEMBLY IN 1991

Note by the UNCTAD secretariat

GE.90-51916/4339a

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I. INTRODUCTION

1. In response to Trade and Development Board decisions 345 (XXXIII) and 372 (XXXVI), the UNCTAD secretariat will submit to the Board at its thirty-seventh session, second part, two reports related to the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990.

2. The first will be a progress report dealing with UNCTAD's contribution to the UN-PAAERD in the area of policy research and analysis, focusing on those areas of UNCTAD's mandate which have particular relevance to the implementation of the Programme of Action. The report will also cover technical assistance activities undertaken to underpin measures directed at helping African countries fulfil their commitments under the Programme of Action. The purpose of the second report will be to assist the Board in preparing UNCTAD's intergovernmental input to the final review and appraisal of the implementation of the UN-PAAERD which the General Assembly is to undertake at its forty-sixth session in accordance with its resolution 43/27.

3. The present note provides an illustrative account of issues which might be addressed in the second report and on which the Board, in accordance with paragraph 4 of its decision 372 (XXXVI) "to start preparations for UNCTAD's intergovernmental input", may wish to provide the necessary guidance.

II. UNCTAD'S INTERGOVERNMENTAL INPUT TO THE GENERAL ASSEMBLY'S FINAL ASSESSMENT OF THE UN-PAAERD: FRAMEWORK FOR THE REPORT

4. The point of departure for the assessment will be UN-PAAERD (annexed to General Assembly resolution S-13/2), which contained a framework of mutually reinforcing actions by African countries and by the international community. On the one hand, African Governments had undertaken to implement economic reforms and to improve their economic policies in the context of Africa's Priority Programme for Economic Recovery 1986-1990. On the other hand, the international community had committed itself to supporting Africa's efforts in a number of specified areas.

5. The analyses and reviews of the UN-PAAERD that have been undertaken so far e.g. the General Assembly's Mid-term review and reports by the ECA, World Bank and UNCTAD, have underlined the need for additional efforts and a sustained long-term commitment by all concerned.

6. In this context, and drawing on the latest available information, the report of the secretariat will concentrate on those areas falling within its mandate, as they have affected the African region. These areas are identified below in section V.

III. THE PROBLEMS AS IDENTIFIED IN THE UN-PAAERD

7. The framework within which the report will be prepared will take into account the extent to which the constraints facing the African countries in the early 1980s have been ameliorated. These constraints have been identified in the UN-PAAERD as follows:

- Internal: infrastructural deficiencies, low capacity for domestic resource mobilization, inefficient utilization of domestic resources, excessive dependence on imports of consumer goods and production inputs, high population growth rates, shortages of skilled labour, civil strife and military conflicts, and the effects of locust and grasshopper infestation in some areas;

- External constraints included: a sluggish world economy and a subsequent weak demand for African exports and low commodity prices, deteriorating terms of trade, reduced capital inflows, and a high debt and debt-servicing burden. In the case of Southern African countries, the acts of destabilization of the Government of South Africa have constituted an additional obstacle to development.

8. The report will seek to enable the Board to consider the extent to which signs may be discernable of a turn around and the foundations may be in place for sustainable development. Areas where progress has been made will be identified as well as gaps that still remain to be filled for the full realization of the initial aims and objectives of the UN-PAAERD.

IV. MAJOR OBJECTIVES OF THE UN-PAAERD

9. The African countries committed themselves to the implementation of a "sharply focused, practical and operational set of activities, priorities and policies" in an attempt to halt the regression of the African economies and put the continent on a path of sustainable development. These activities were intended to "lay the foundations for durable structural changes, improve levels of productivity and ... ensure the rapid recovery of the African economies while at the same time enhancing long-term development prospects".

10. At the national level, priority was to be placed on the development of agriculture and other sectors in support of agriculture. Food production was to receive special attention as well as the rehabilitation and development of agro-related industries and the development of transport and communications. Trade and finance issues - particularly price incentives and financial co-operation - received special attention. Drought and desertification received prominent attention as well as human resources development, planning and utilization. The African countries also undertook to implement policy reforms - including improved domestic economic management as well as appropriate adjustment measures, and, population policies. Ensuring the effective participation of the people in all dimensions of development; developing indigenous entrepreneurial capabilities - both private and public; and, establishing a sound basis for political, economic and social justice were identified as priority areas. The issue of women in development - particularly where development planning and disbursement of resources are concerned - was identified as deserving priority treatment.

11. Subregional concerns included co-operative action to combat drought and desertification; problems of island, land-locked or semi-land-locked countries as well as the least developed countries. The issue of refugees and displaced persons was to receive priority attention. At the regional level African

countries were to co-operate to strengthen their social and economic institutions at all levels. There was to be consolidation of African co-operation, inter alia, through subregional organizations based on economic criteria, including natural resources criteria.

12. The international community undertook to improve the quality and modality of external assistance and co-operation; substantially to expand external assistance; support Africa's policy reforms; and, (4) assist African countries in dealing with their financial constraints, particularly the problem of external indebtedness. South-South co-operation was also to be strengthened.

V. SPECIFIC ISSUES FOR UNCTAD'S ASSESSMENT OF UN-PAAERD

A. Resource flows and debt

1. Financial flows

13. The report to the Board will review salient developments in external financial flows and net financial transfers to African countries since the adoption of the UN-PAAERD. It will analyse the main factors influencing such flows as bilateral ODA, multilateral finance (concessional and non-concessional), export credits, foreign direct investment and commercial bank lending. A number of crucial issues will also be addressed including the adequacy and predictability of financial flows, the prominence of policy-based lending and the appropriateness of conditionality, and the effectiveness of aid co-ordination. The report will assess the impact of recent international initiatives taken in this area, such as ODA efforts by donor countries, the World Bank's Special Programme of Assistance (SPA) for the debt-distressed low-income African countries, the ninth replenishment of IDA, the IMF's Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF), etc.

2. External debt

14. The report to the Board will review recent trends in the external debt situation of African countries since the adoption of the UN-PAAERD, as well as the factors underlining these trends. It will also analyse the main approaches adopted so far for dealing with the debt problem of African countries, such as the Toronto initiative regarding Paris Club debt, ODA debt cancellation, multilateral debt relief and the World Bank's Debt Reduction Facility for the buy-back of commercial bank debt.

B. Commodities

15. In view of the effects on commodity-dependent African countries of fluctuations in commodity markets and of the desirability for African States to achieve more stable and predictable conditions in commodity trade, the report will cover developments in (a) long-term supply and demand trends; (b) market transparency; (c) capacity of the African countries to process, market and distribute commodities.

16. The report will indicate efforts that may have been undertaken in support of African countries to diversify within and outside the commodity sector as a solution to achieving a long-term solution for the economic difficulties

facing African commodity-dependent countries; it will indicate the extent to which efforts have been made to reinforce research and technical assistance activities to support African countries in the development of appropriate commodity sector policies, relating, inter alia, to diversification, investment rationalization and establishment of an appropriate balance between export and domestic consumption requirements.

17. Recent initiatives to deal with the African commodity situation have included, notably, the United Nations Secretary-General's Expert Group on African Commodity Problems (the Fraser Group Report). An indication will be provided of such follow-up action as may have been taken by the General Assembly and other bodies and of their implications for UNCTAD.

C. Trade

1. Market access issues

18. Elements that could be reviewed in the report include improved market access conditions with respect to tariffs and non-tariff measures and trade liberalization in the areas of tropical products, agriculture, natural resource-based products, textiles and clothing. The issue of tariff escalation would be dealt with particularly with respect to tropical and natural resource-based products. Other issues might include the possible impact of market access conditions on processing and diversification of African commodity exports, developments concerning the Lomé Convention, GSP schemes, and relevant commodity agreements.

2. Developments in the Uruguay Round of Negotiations

19. The report to the Board will examine how the outcome of the Uruguay Round of Negotiations could influence the development of the African countries. Inter alia, the issue of potential loss of preferential treatment received by African countries under present schemes, such as the Lomé Convention and the Special GSP for the Least Developed Countries, will be examined.

3. Structural Adjustment and Trade Expansion

20. The report will cover developments in the capacity of African countries to formulate and implement policies in this area with a view to an expansion of trade to promote development. It will also review principal features of industrial collaboration arrangements, including joint ventures in and for trade. Issues of the links between market access and foreign direct investment in Africa will be examined in the context of the sustainability of structural adjustment programmes.

4. Trade with the countries of Eastern Europe

21. The likely implications for African countries of the efforts of countries in Eastern Europe to restructure their economies and implement reforms in their foreign trade systems and external economic policies will be addressed.

D. Transport issues

22. The report will indicate developments in the past decade and identify the obstacles arising from the transport sector in terms of quality, reliability and efficiency. It will also deal with widespread deterioration of the transport infrastructure and related facilities resulting from inadequate maintenance of costly equipment.

E. Technology issues

23. In the context of the concern of African countries with technology acquisition from abroad as well as with technology adaptation, generation and diffusion, the report will address such issues as the adoption of technology policies and institutional arrangements more responsive to the new challenges to trade and development, the promotion of appropriate technological innovation and links between R and D activities and production, the development of the necessary human resources, the transfer and utilization of technology in sectors of critical importance, such as agro-industries (especially food processing) and metal working, and for small- and medium-sized enterprises in African countries.

F. Economic co-operation among developing countries issues

1. Regional and subregional co-operation

24. The report will review developments in and factors affecting intra-African trade and intra-trade within African subregional economic integration groupings and recent measures aimed at revitalizing intra-trade and the integration process as a whole.

2. South-South co-operation

25. Efforts to promote economic co-operation between Africa and other developing regions will be examined. The report will highlight developments in African participation in GSTP.

G. The least developed land-locked and island developing countries

26. Issues affecting African Least Developed Countries will be dealt with at the Second United Nations Conference and the Programme of Action for the LDCs in the 1990s (to be held in Paris in September 1990). Highlights of recommendations of this Conference as they relate to priority areas of the UN-PAAERD will be presented.